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Where to Focus Value Management Pre-workshop Efforts

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The Team Focus Group



Topics of Discussion

1. Background
2. Integrated Approach to Performance Assessment
3. Targeting Preferred Performance Levels
4. Cascading the Levels through Workshop Phases
5. Bottom Line



Purpose

- TO BETTER FOCUS VM STUDY FROM THE OUTSET
- TO KNOW WHERE TO “DIG” FOR INFORMATION
- TO SAVE WORKSHOP TIME & INCREASE THE RATE OF SUCCESS

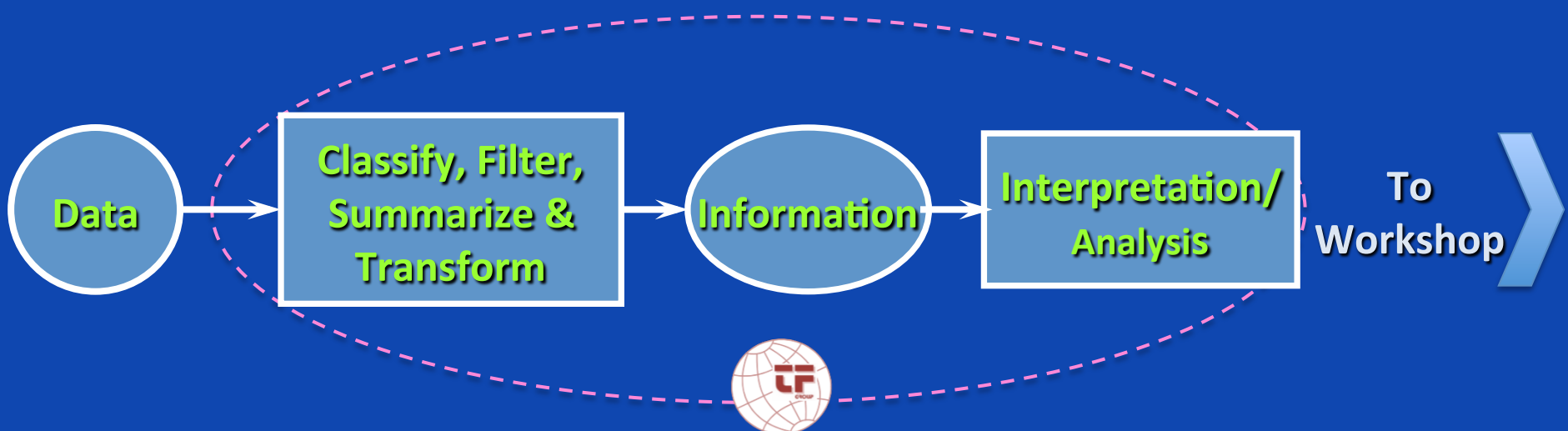


Context: Discovery of the Problem Areas

What to Analyze?

Choose the extent, relevance, and correct information for review and analysis

Today's Increasing Level
of Complexity of
Information



Typical Information Required by VM Team

Typical Summary Information required:

- Description of Base Case (the existing way)
- Outline Systems Descriptions
- Key Diagrams
- Scope of Work
- Information About:
 - What is it?
 - What does it do?
 - What must it do?
 - CAPEX & life cycle cost models
 - Requirements & expectations
 - Budget & schedule
 - Confirm key risk areas



The Need to Leverage Data

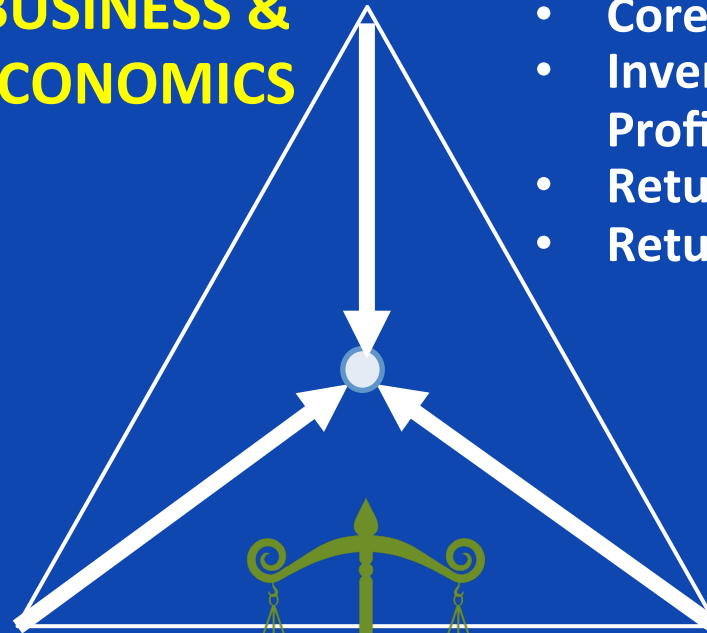
1. Solving problems, improving functionality/processes, increasing sales and satisfying customers are linked to accurate data collection and information analysis
2. Before the formal workshop takes place there is a need to assess the current internal data of the subject under study and the impact of external factors, in order to determine the viable solution options that, when pursued, would meet the expected outcomes
3. Inaccurate/insufficient information leads to formulate an ineffective solution



Integrated Approach (Example)

BUSINESS & ECONOMICS

- Core Competencies
- Inventory turnover
- Profit Margin
- Return on Investment
- Return on Assets



FUNCTIONALITY & QUALITY

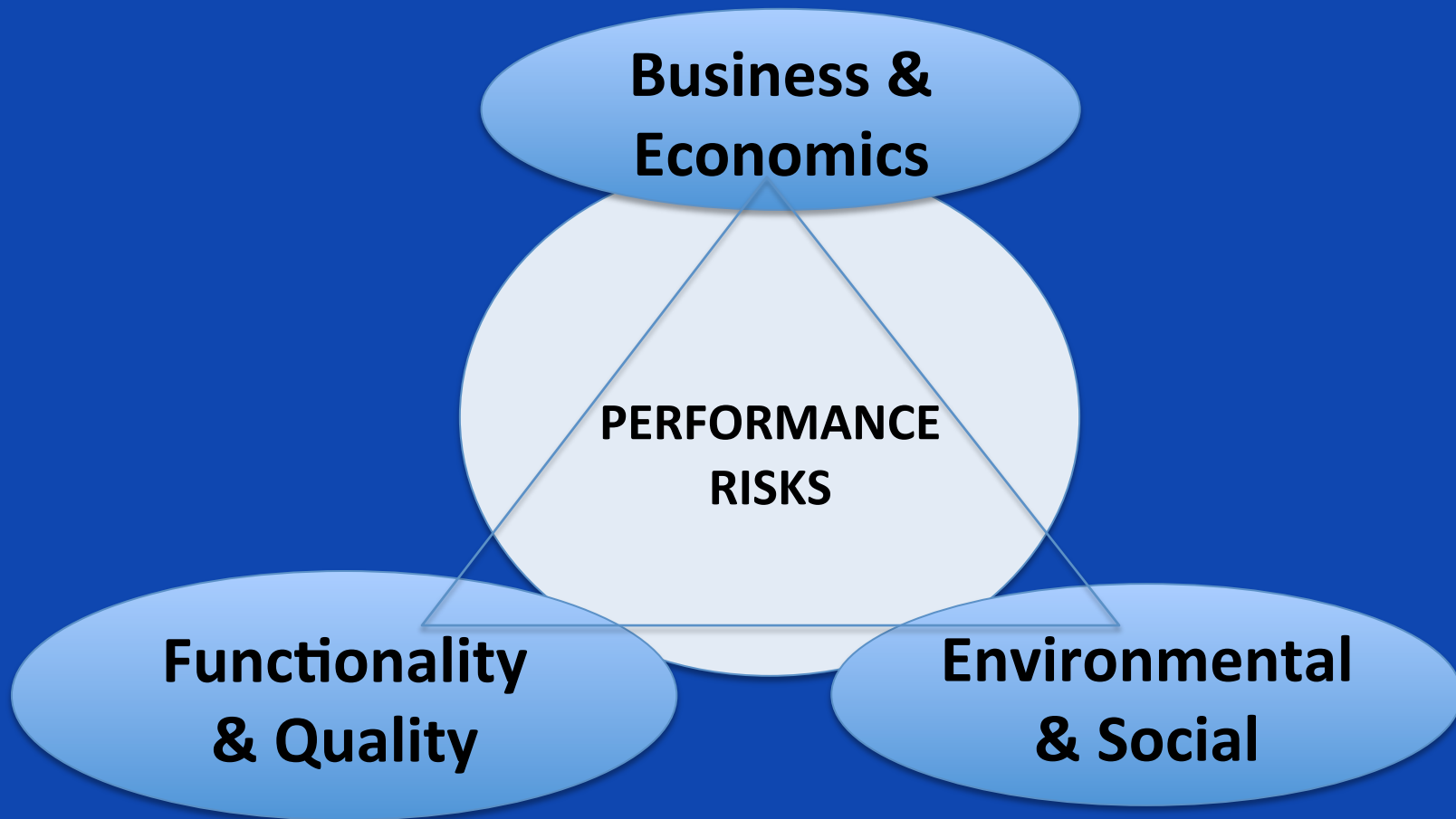
- Cost
- Time
- Quality
- Scope

ENVIRONMENTAL & SOCIAL

- Environmental Stressors & Receptors
- Sustainability
- Openness to Concerns
- Emergency Preparedness
- Compliance & Reporting



Initial Performance Assessment



Why Integrated Approach?

Concept

Development
/Planning

Implementation
/Execution

Termination
/Close-out

Traditional Product/Project Development

Quality/
Functionality



Distribution



Ecology



Cost

Additional Factors that Significantly Changes Today's Product/Project development Processes

CO2
Reduction

Resource
recycling

Environmental
Consciousness

Sustainability



Performance Indicators

Historical Performance

A good historical analysis focuses on value drivers:

- Return on invested capital
- Growth Profitability reporting
- Ratio for return on assets
- Productivity Projection
- Trend analysis

Current State

KPI Baseline

- Business & Economic
- Environmental & Social
- Functionality /Quality

Define and set the level for future

- Exceeds Requirements +5
- Exceeds Some Requirements +4
- Meets All Requirements +3
- Meets Most Requirements +2
- Some Concerns +1
- _____
- Fails Some Minor Requirements -1
- Fails Some Key Requirements -2
- Fails Several Requirements -3
- Fails Most Requirements -4
- Totally Unacceptable -5

Desired Outcomes

Preference Levels

- Business & Economic
- Environmental & Social
- Functionality /Quality



Considerations Re. Preference Levels

- Each Preference Level should be well described
- Quantification of the Preference Level should be based on a consistent scale as well as being challenging and measurable
- Need to take into consideration the external factors such as:
 - competition, politics, regulatory impacts, economic trends



Cascading Preference Levels Throughout VM Study Phases

INPUTS:

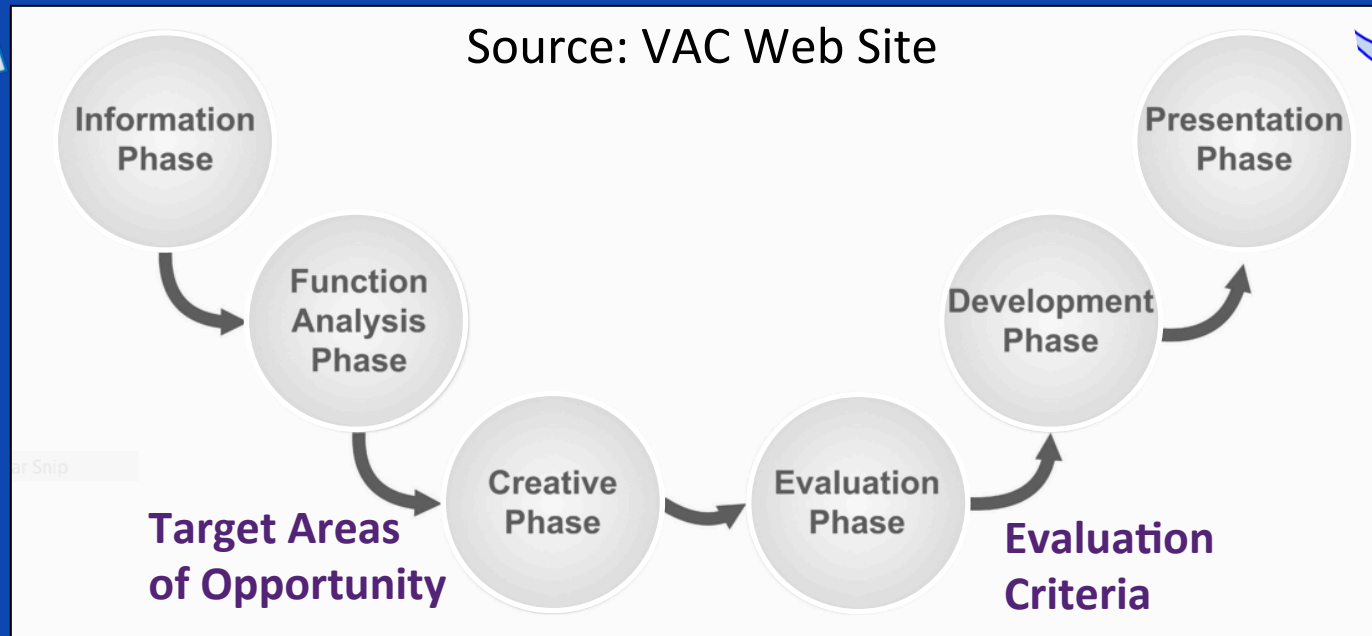
Defined Preference Levels and Initial Diagnosis



Output & Follow-Through Steps
Approvals Criteria

VM WORKSHOP PHASES

Source: VAC Web Site



Integrated Approach to Performance

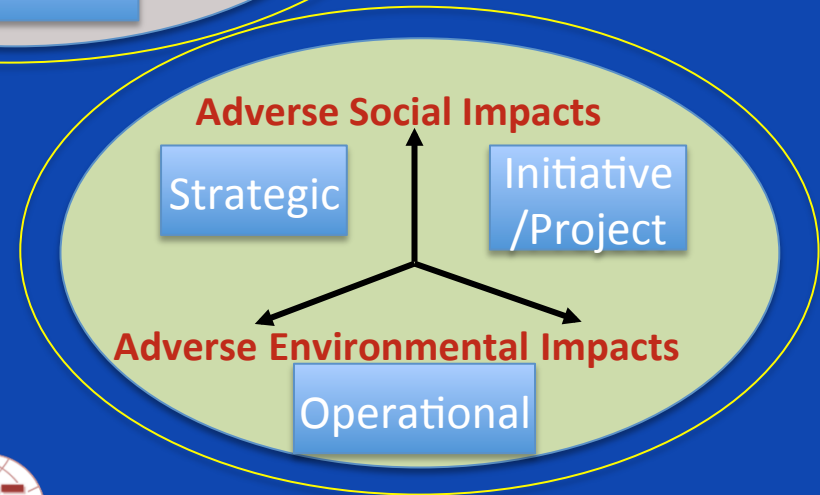
Applicable to each Stage of:

- Strategic
- Initiative / Project
- Operational

Business & Economics



Functionality/Quality

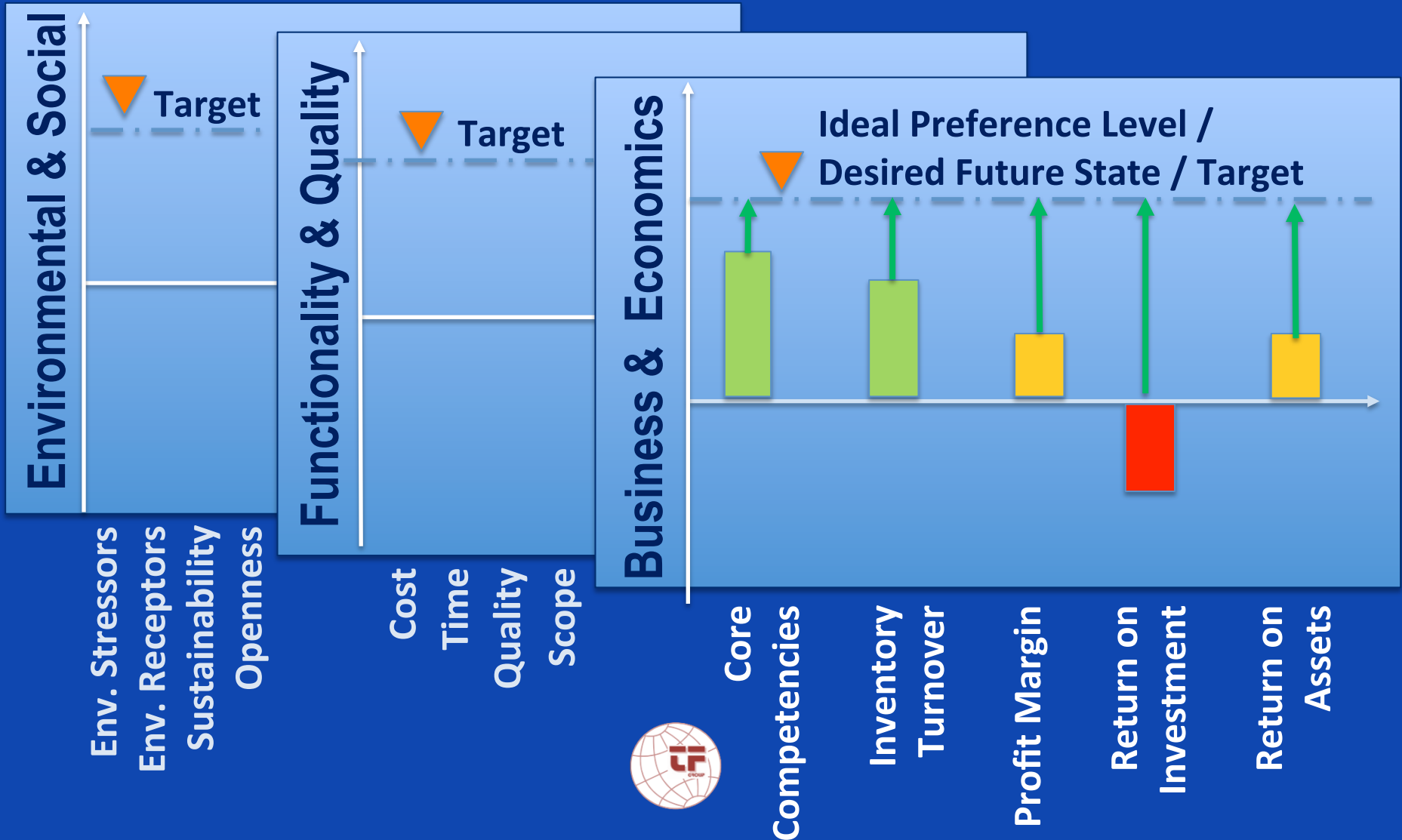


Environmental & Social



Initial Integrated Performance Assessment/ Target

KNOW WHERE TO "DIG" FOR INFORMATION



QUESTIONS

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